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ABSTRACT

United States economic courses of action--and inaction--are increasingly being based on the employment and unemployment figures put out monthly by the Bureau of Labor Statistics (BLS). Yet, the basic statistical concepts that are still used were fashioned during the Great Depression and do not take into account the very different conditions we have today. The BLS divides people into one of three groups: unemployed workers, unemployed persons, or "not in the labor force." These labor force definitions have lost a good part of their significance because of dramatic changes of social mores, such as the two-income family and income transfer payments (e.g., Social Security). On the other hand, many people are working full time, year-round, and are still living in poverty. Different types of measurement are needed in order to reflect the real problems that exist in this society. One way to do this is to add another dimension to the three that have been measured: the number of persons who are unable to attain an adequate standard of living through work. Another problem is whether to count students who want part-time work as unemployed. Because of these problems, Congress has created a National Commission on Employment and Unemployment Statistics to examine the procedures, concepts, and methodology involved in measuring labor market activities, and their adequacy for policy determination. The Commission needs input from those concerned with employment and unemployment (such as vocational educators) to determine a better way of reporting these statistics. (KC)

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Occasional Paper No. 38

THE UNEMPLOYMENT NUMBERS IS THE MESSAGE

by

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THE CENTER MISSION STATEMENT

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- Generating knowledge through research
- Developing educational programs and products
- Evaluating individual program needs and outcomes
- Installing educational programs and products
- Operating information systems and services
- Conducting leadership development and training programs

PREFACE

To keep abreast of current developments that relate to vocational education R&D, The Center for Vocational Education at The Ohio State University conducts staff development seminars. We have invited Dr. Sar A. Levitan, Research Professor of Economics and Director of the Center for Social Policy Studies at the George Washington University, to share with us his presentation entitled "The Unemployment Numbers is the Message."

Dr. Levitan discusses the importance of the statistics that are used today and the implications they have for vocational education R&D. He further depicts the utilization of these numbers in planning for programs on unemployment.

Dr. Levitan's career has combined research and teaching with government service centered in the fields of labor economics and social policy. He is also Chairperson of the National Commission on Employment and Unemployment Statistics.

He received his B.S.S. from the City College of New York (1937) and his Ph.D. from Columbia University (1949). Before joining the George Washington University faculty, he taught economics at the State University of New York and at the Johns Hopkins University.

His government service has included, in addition to a stint in the Army (1942-46), work on the staff of the Wage Stabilization Board (1951-53) as the public member for reviews and appeals; specialist for labor and economic development for the Legislative Reference Service of the Library of Congress (1954-61); research director for the Senate Committee on Unemployment (1959-60); and deputy director of the Presidential Railroad Commission (1961-62).

Levitan is also chairperson of the executive committee of the National Council on Employment Policy, and member of the Industrial Relations Research Association, the American Economic Association, the National Economists Club, and the National Advisory Panel of the American Jewish Committee. He has also served on the Federal Mediation and Conciliation Service, the National Mediation Board, the American Arbitration Association labor panels, and as a consultant to several governmental agencies and the Committee for Economic Development.

His research activities, many of which have been prepared under an ongoing grant from the Ford Foundation, have resulted in publications of more than thirty-five books and monographs and over 140 articles which deal largely with labor market analysis and evaluation of government programs. Recent publications he has authored or coauthored include: *Work Is Here To Stay, Alas* (with William B. Johnston), Olympus Publishing Company, 1973; *Too Little But Not Too Late: Federal Aid to Lagging Areas* (with Joyce K. Zickler), Lexington Books, 1976; and *Programs in Aid of the Poor,* 3rd edition, The Johns Hopkins University Press, 1977.

It is with a great deal of pleasure The Center for Vocational Education and The Ohio State University extend a welcome to Sar A. Levitan and his remarks on "The Unemployment Numbers is the Message."

Robert E. Taylor
Executive Director
The Center for Vocational Education

THE UNEMPLOYMENT NUMBERS IS THE MESSAGE

The choice of the title reflects my view that the labor force numbers are becoming increasingly significant. The monthly employment and unemployment figures influence our perception about the state of the economy, and they also directly affect the lives of millions of Americans.

Our labor market statistics have become key guides used in the formation and operation of government programs and in the decision process of the private sector. Literally, billions of dollars are riding on the monthly employment and unemployment statistics published by the U.S. Department of Labor. Few statistical measures are so intimately linked with policy as these indices. When the doctor takes your blood pressure, it isn't out of idle curiosity. The test results will determine what medical course of action will be taken. Economic courses of action—and inaction—are increasingly being based on the employment and unemployment measurements.

The list of government programs using the unemployment rate as an allocator and policy tool is growing, and the Carter administration has proposed several new applications of fund allocation based on state and local unemployment rates. About $17 billion of government funds are directly allocated based on these numbers, and every indication is that this figure will continue to increase unless economic conditions improve more rapidly. How much money is directed to the older cities in the Northeast, or how much will be spent on rural development, or how much will go to suburban areas is all tied up with these statistics. Besides fiscal and monetary policies, numerous programs—such as unemployment benefits, job creation and training efforts, countercyclical revenue sharing, and public works—are tied to either national, state, or local unemployment rates. It is not an exaggeration to say that political fortunes sometimes have been won or lost depending upon these statistics.

Common Sense and Statistics

Yet, despite our increasing reliance on the statistics, there is a growing awareness that our labor force measures are often misleading guides for policy formulation. An example of this can be seen every month when Julius Shiskin, Commissioner of the Bureau of Labor Statistics (BLS), marches up to Capitol Hill and announces the latest labor force statistics. During one recent monthly session, it was his unpleasant task to announce that unemployment rose again from 6.9 to 7.1 percent, and the increase in unemployment among blacks was double that number.

Being a firm believer that one way to reduce unemployment is to create jobs, Secretary of Labor Ray Marshall reacted immediately by calling for expanded public service jobs and other job creation programs. On the other hand, the former Chairperson of the Council of Economic Advisers in the Nixon administration, Herbert Stein, argued that the latest unemployment figures were not so bad after all. In an article printed on the *Wall Street Journal's* editorial page, he suggested that 7 percent might be considered full employment, given our current economic and institutional conditions.

This is not an idle debate if we remember that 1 percent unemployment in round figures means 1 million people. In essence we are talking about 7 million people who are idle or forced into

idleness. Those who view the numbers as meaning that unemployment figures suggest that millions of individuals are being rejected by society, of course, react with concern to the unemployment data.

Obviously Marshall and Stein represent different social philosophies. But how could they be so different on the statistics? How could one say that 7 percent unemployment is a national calamity while the other says that this figure may represent full employment? The answer, it seems to me, is that we increasingly have less and less trust or faith in the numbers. It is not only a case where you kill the messenger for the message that he/she brings, but it is a case where there is a lot to be questioned about these numbers. To paraphrase an old advertisement: We're using the statistics more now but believing them less.

What has happened to the numbers, and why are they becoming less and less credible? The answer is that the basic statistical concepts which we still use were fashioned during the Great Depression. The conditions of our country are far different today from the conditions which existed during the 1930s, and yet our basic statistical concepts have hardly changed at all. Our notions of unemployment and employment were developed in a society in which people either worked or starved, and in such cases it made a great deal of sense to say that people were either employed, unemployed, or not in the labor force. Of course, in a few cases an individual could depend upon charity from local organizations or relatives, but basically prior to the New Deal in the United States people either worked or starved.

A Changed Economy

This is no longer the condition in the United States. During the past forty years, we have developed a major income support—or transfer payment—system. The American economy now includes transfer payment programs costing more than $200 billion per year. We cannot responsibly talk about a full employment policy until we start to understand the implications of this massive transfer system upon people's behavior in the labor market and their decisions to look for jobs and to work or not to work.

Usually when we talk about transfer payments, we think about the more than 3 million families, mostly headed by females with small children, who are on relief. Despite popular opinions concerning the "welfare mess," the vast majority of transfer payments goes to areas and people not commonly associated with "welfare." In fact, spending for public assistance accounts for less than one-fifth of the income and in-kind support that is currently being distributed to roughly one-third of the population. For example, a federal government civilian employee can retire at age fifty-five, and enlisted military personnel retire after twenty years of service at the average age of forty-two. The government currently is spending about $9 billion annually on military retirement, roughly $80 billion on Social Security, and another $16 billion on unemployment insurance.

The issue is not the wisdom behind these programs. But what is undeniable is that the spending has an impact on the supply of labor and the remaining real hardship that still persists in our society.

During the last ten years income transfers have more than quadrupled. Nearly one-half the budget is spent on these payments which constitute nearly one-sixth of total disposable personal income available to the American people. In the United States today a person can make a decent living, keeping body and soul together, without working. At least many of us do it.

Counting the Changing Work Force

When the government started its concerted effort to measure unemployment toward the end of the Great Depression, a main goal was to estimate unused productive human resources and the hardship being inflicted on millions of Americans due to failure in labor market operations. Data needs are not immutable. As reality, theory, and application change, measures must be adjusted or added in order for our statistics to remain useful and accurate. The current concepts of unemployment and employment, which were designed when the social security system was in its infancy, do not have the same meaning in a mature welfare state because of massive transfer payments, different social mores, and economic conditions.

The BLS divides people into one of these three groups: (1) Employed workers are defined as all those who during a survey week did any work at all (even one hour) as paid employees, or who worked fifteen hours or more as unpaid workers in a family enterprise. Also counted as employed are all those who were not working but had jobs from which they were temporarily absent for such reasons as illness, bad weather, vacation, or strike. (2) Unemployed persons are defined as all those who did not work during a survey week but who made specific efforts to find a job within the past four weeks, and who were available for work during the survey week. Also included as unemployed are all those waiting to be called back to a job from which they were laid off, or were waiting to report to a new job within thirty days. The labor force is then defined as the sum of all those persons either employed or unemployed, and the unemployment rate is the number of unemployed divided by the labor force. (3) If a person is not defined as either employed or unemployed, then the individual is considered "not in the labor force."

Leaving aside the major impact of government spending programs, these labor force definitions have lost a good part of their significance due to dramatic changes in social mores. During the 1930s it was considered proper for the wife to stay at home and take care of the children, not only because of the dearth of jobs, but because of social values. Currently, over 45 percent of wives, with husbands present, to use the census language, are in the labor force. In other words, in nearly half of the families there are at least two wage earners, and if one happens to lose employment, the family treasury is not automatically exhausted, especially where unemployment insurance continues to supplement the other member's earnings.

Income As Well As Employment

On the other hand, we know that many people who are working—and working full-time, year-round—are still living in poverty. Frequently, low-paying jobs also fail to provide stable work. Our employment statistics used in forming policy do not differentiate between adequate and substandard employment. Whatever the general level of official unemployment, there are millions of people at the labor market's lower margins who are discouraged and counted as out of the labor force, or working at marginal jobs at very low pay scales. For many in our society, low earnings, unstable intermittent employment, and underemployment are even more serious problems than unemployment.

Maybe in the past we could formulate rational and effective policies based on statistics which classified people as either employed, unemployed, or not in the labor force. But whatever intrinsic satisfactions people get from their jobs, most of us still work for money, and statistics that ignore income derived from work and support programs are bound to fail as indicators of real conditions. We are bound to draw disastrously wrong conclusions when we use such statistics as a foundation for governmental policies.

What I am suggesting is that we need different types of measurements in order to reflect the real problems that exist in this society. One way to do this is instead of the current trinity—employed, unemployed, or not in the labor force—we ought to add another dimension. The key question is: What income does a person get for working? Given current labor market conditions and government transfer payments, we could understand a good deal more of what is going on. We might even be able to fashion policies which deal with the labor market pathologies of the 1970s instead of the 1930s. We need to go beyond what was done in the 1930s when we developed our Current Population Survey (CPS). Instead of having the monthly sample counting only people working or not working, or how many hours they work, we should also look at the number of persons who are unable to attain an adequate standard of living through work.

This type of measurement would count not only employment and unemployment, but it would also consider earnings and time worked. Policy formulation affecting national welfare could be based on a new index designed to gauge economic hardship. This kind of index can be put together. It has been tried; it is far from being perfected, but it would give us a sounder basis for the creation of policies and the allocation of funds.

Look at what we are currently doing. Let's say that in the Jones family both the husband and wife are working and each earns $20,000 a year. Mr. Jones is laid off and his family is considered a hardship case because he is unemployed, even though the family income is still well over the median for the nation. Meanwhile, in the Smith family, Mr. Smith is working only ten hours a week at the minimum wage, and he must support a wife and two children. By just looking at the trinity—employed, unemployed, or not in the labor force—we do not know the real economic conditions within the two families. In this case the labor force classifications of the 1930s are highly misleading as to what policies are required to correct labor market pathologies. The numbers and statistics should be the message, but our current estimates do not include the information that is really needed, and their message can be highly distorted.

Who to Count?

There are also problems with the simple concepts of labor force measurements. Let me mention just a few. Should we count full-time students who are seeking part-time work as either employed or unemployed? Suppose a full-time student seeks a few hours of work a week; does it make sense to count him/her as unemployed? What about other potential workers who only want part-time employment? You might yawn and ask what's the difference? I'll show you in a minute where the difference comes in.

How about the military? Should we continue counting the military separately and differently from the regular civilian labor force? Again, once it made sense. During the first thirty-three years of the monthly Current Population Survey, the armed forces depended upon conscription. Also, the pay was so low that there were plenty of reasons not to count the military as part of the labor force. Since 1973, however, we have had a volunteer military force. Young men and women today who enter the military have a choice. The noncollege bound youth has a choice to either work for General Brown or General Dynamics, and the money to support both of them comes from the same source—you and me.

On the other hand, how about the discouraged worker? We don't count him or her in the labor force. Should we actually ignore the person who has given up looking for a job because he or she thinks that there is no job? I would say that these potential workers require possibly even more attention than the idle workers who are looking for a job.

Some of the concepts that we may have to change are the ways of measuring the labor force—the way of measuring employment and unemployment. You might ask, why is it important? It is important because billions of dollars are allocated on these numbers. Every time the BLS comes out with a monthly figure, policy is formed. Consider the question relating to students. I was talking to a Congressman about this and he said, really, who cares? I pointed out that next door to his district there is a big state university. With 40,000 bodies in that small town, if BLS stopped counting students in the state university as unemployed, the people of this city would lose a couple of million federal dollars which they may have to make up in added local taxes. The mayor of the city certainly cares.

Take the military. Again, it looks like a very esoteric thing that only college professors worry about. But if you happen to be the supervisor of Miscougie County, Georgia, and if the BLS starts counting the military as part of the labor force, it would, let's say, double the number of employed in that particular county, and unemployment would remain unchanged. It doesn't take a mathematical genius to know that the unemployment rate would drop by 50 percent in this case, and the monies from Uncle Sam for public works and job creation would drop to a trickle or dry up completely. You can see how important these figures are and how they are central to our social policies, to the billions we are spending, and to who is going to be helped. These are basic issues.

State and Local Estimates

So far I have only talked about national data, but a good portion of the allocation of government money is based on state and local statistics. The national estimates are based on a monthly survey of 55,000 households or about one of every 1,300 households. This survey results in a national estimate that would be quite close to the results obtained from a national census of every member of the population. However, a national sample of about 55,000 households is not large enough to produce accurate estimates for most local areas.

In response to congressional mandates, the BLS currently produces unemployment estimates for about 4,300 state, local, and regional areas. Officials in the BLS recognize that the accuracy of the local estimates—which are the indices used for numerous dollar allocations—leaves much to be desired. To guarantee its collective professional integrity, the bureau prints a warning as part of the introductory material to most of its local estimates which says consumers should use the data with caution. In the absence of more accurate data, federal officials have to use the BLS estimates and are required, indeed, to use these numbers. But like smokers who disregard the warning labels on cigarettes, Congress continues to require the distribution of billions of dollars on the basis of flimsy data.

When the government reports that the national rate of unemployment is 7 percent, it can be stated with great confidence (in nine of ten cases) that the true rate of unemployment could range from 6.8 to 7.2 percent. However, in the case of local statistics, the government often does not know the size of the error. The quality of state and local statistics, despite the government statisticians' best efforts, lags behind congressional and executive inclination to base policy decisions on such estimates. But if the funds fail to help the target populations because government officials lack data to allocate the funds, the billions may not reach those who need help most.

Challenge and Opportunity

Congress has recognized the weakness of our current measurements and has called for corrective action. It has, therefore, mandated the creation of a National Commission on Employment

and Unemployment Statistics to examine the procedures, concepts, and methodology involved in measuring labor market activities, and their adequacy for policy determination. This is badly needed and long overdue.

Clearly, all I have said is known to Secretary of Labor Ray Marshall and BLS Commissioner Julius Shiskin. But it is not enough to know that problems exist. What is needed is an outside body to review the state of labor force data and to explain to Congress and the public the limits of the data. Only from this process will basic reforms be made.

We need statistics for economic and social policy if we prefer making decisions on the basis of facts rather than vague hunches. The creation of an outside commission is no slight on the performance of the BLS which has established an outstanding track record given current concepts and methods. Due to institutional constraints, lack of adequate funds, and strong pressure from various sources, it has proven difficult to implement changes that many economists and technicians in the bureau believe are necessary.

Vocational educators have a very strong interest in employment and unemployment statistics, and this concern should be a two-way street. Data provided to the vocational education community are required for the direction of effective programs and sound investment in human resources. We not only need occupational data and projections, but we also need good estimates of real labor market conditions, both nationally and on the state and local level. Yet going the other way on the street, the National Commission on Employment and Unemployment Statistics and policy makers must hear from the major users of these data—and that includes vocational educators. What types of statistics do you need? What is right and wrong with what we are currently doing? Where should we go from here? The only way the message will ever be communicated is if various interest groups become better acquainted with the unemployment and employment statistics. Then the Commission must become acquainted with your needs and views. I am appealing to you for help.

The most accurate definitions and carefully conceived concepts will not alone solve labor market pathologies. However, it is hard to even cope with the deficiencies in the work place until the economic ills are diagnosed and properly measured. I cannot promise that realistic numbers will be pleasant, but the key to sound diagnosis—both economic and medical—starts with sound data.

QUESTIONS AND RESPONSES

1. How should we interpret the statistics that are available to us at the present time? (You've pointed out the qualifications that we should keep in mind relative to the employment statistics that are gathered.)

We have an inordinate and inexcusable amount of unemployment in the United States. Although I raised some questions about the adequacy of the numbers and the underlying concepts and definitions, we do know a great deal about labor force operations. In round numbers, out of the 7 million currently unemployed, almost half are people who were laid off. Some people lose their jobs because they arrange with their employer to be laid off—they don't want to work—but that is a very small number. Hence, we have today some 3 million people who have been forced into idleness.

In addition to that, we have a million who quit their jobs. Again, many of those who quit their jobs may have other options or other alternatives which we don't know enough about.

Then we have another two and a half million, or so, who are either looking for jobs for the first time or who have reentered the labor market. Some analysts who minimize the seriousness of current unemployment tend to ignore the latter two groups by rationalizing that they are only kids, or they are only women, who are really not looking actively.

Whether we have 40 percent unemployment in ghetto area for teen-agers, or whether it is "only" 30 percent—I would not swear on either number—the fact is we have very real problems with youngsters who are looking and are not finding work. The numbers suggest to me that we have hundreds of thousands of youngsters, particularly in ghetto areas, who are entering adulthood without ever acquiring basic education and without a real attachment to the labor force. Again, I would submit that this is—to use the phrase of James Conant, the former President of Harvard—"social dynamite." When he coined the phrase, few paid any attention to it and discounted it as the rhetoric of a college president. Several riots later, few disagreed that mass youth unemployment is social dynamite. I'm not asserting that unemployment is directly correlated with riots. But we are facing a real problem in our society, and the problem remains, as Conant stated eighteen years ago, "social dynamite." There are deep-rooted, disturbing problems in central cities when youths cannot get jobs.

Reentrants into the labor force are usually females. Again, our labor force data have many facts about family structure. Many of those who reenter the labor force do so because their bedmates, or whatever we call them these days, have left the family and the female becomes the head of the household. They may have to support the kids in addition to themselves. Many of the reentrants are not just women who want pin money or pocket money. Then we also have to consider discouraged workers, and that may add another million to the unemployed. I don't know whether we have actually 7 million unemployed, or 6 million unemployed, or probably 8 million; there is no denying that millions of people are finding it difficult to cope in the labor market.

In addition, if we should be concerned with labor market pathologies, then I maintain that if a person who works and who works full-time—particularly if he or she is a head of family—and that family still lives in poverty, then there is a social problem. Only economists adhering to the old

religion still believe that the pay of a worker is based on marginal productivity, even though some still perpetuate these myths in economics! A head of a family who works full-time should not be forced to live in poverty in an affluent and rich society. There are a million people in the United States, according to census numbers, who worked during 1975—full-time, full-year—and yet their families still live in poverty.

The fact is that in the late 1960s we succeeded in reducing unemployment to 3.4 or 3.5 percent. Since then we experienced some changes in the labor market. Maybe today we can't go below 4 or 5 percent, but that certainly does not justify our tolerating additional millions out there who are looking for work, who want to work, or who are working but living in poverty. I reject the notion that we cannot go below 5 percent, because lower unemployment will cause a great deal of inflation. We succeeded in reducing unemployment when we expanded demand in order to fight the war in Vietnam. I don't want to start fighting a war again, and I'm not sure I wanted to start it in the 1960s. But we should strive to reach full employment without a war. The Great Society, I assert, could have reached tight labor markets if we hadn't gotten into Vietnam. America could have achieved the goal of tight labor markets through rebuilding cities, improving education, fighting poverty, and so on. But we didn't, so it's a question of commitment. We certainly can do better than we are doing.

2. What price do you think we would have to pay in terms of added inflation if we went toward completely full employment?

I don't know what full employment is. Do you want to define it as 4 percent or slightly above 4 percent? We need not get technical here. The fact is, however, that we have had a lot of inflation in the last four years but not because of excessive aggregate demand, and wages have barely kept up with inflation.

The immediate culprit is international dislocations, or changes. Whether right or not, the oil countries decided they can get a higher price for their oil, and they took a lesson from Economics 1 by raising the prices for oil. Meanwhile, other nations raised their prices for all sorts of raw materials, and this caused a great deal of international dislocations here and a great deal of unemployment. But, basically, the inflation in the last two years was not caused by excessive demand and not because of exorbitant union demand for wages. It was due to international conditions, some of which were beyond our control.

Another contribution to inflation is a high national deficit. When you have a high national deficit, Uncle Sam has to borrow money, which raises interest rates, and the higher interest rate has other impacts on the economy. Yet until we go down to 5 percent, there is no evidence whatsoever that the lower unemployment rate would cause inflation. Not only would it not cause inflation, but I maintain that less unemployment may even reduce inflationary pressures because there would be less deficit financing. Interest rates might decline, and all sorts of other salutary effects including productivity increases would follow.

There is room for argument on whether we can reduce unemployment to 4 percent without causing serious inflation. But, let's remember that 1 percent means 1 million people. Very frequently it is 1 million families. I believe that it is within our ability to reduce unemployment to 4 or 5 percent, if we want to do it. Under this level, we could make structural and institutional changes to reduce unemployment below the range.

3. What kind of policies do you think we need to overcome the problems of unemployment among blacks and young people in particular?

As I suggested in response to the previous question, we need a national policy that would reduce unemployment to 4 or 5 percent. You have heard about the Bakke case. Whatever position the Supreme Court takes, the case suggests the difficulty of singling out assistance to blacks when whites are also unemployed. But tight labor markets by themselves would not totally solve the problems that blacks, especially youths, are facing in the labor market. In the late sixties, when unemployment was below 4 percent, black youth unemployment was still a real problem at about 20 percent. Their difficulties have increased. The next step is, of course, to cut out discrimination through more vigorous enforcement of the law and whatever other means we have to end discrimination.

It is reasonable to anticipate that even in the absence of discrimination, there will still remain a residue of unemployment among blacks, especially youths, because they live where there are few jobs and their education too frequently is deficient. Blacks are increasingly enrolled in schools up to age seventeen or eighteen—almost as much as white youths. I hate to say that a university or longer education does not mean better education or higher education. And it doesn't mean that the education the black boy or girl gets is the same as that of whites.

But there are certain problems that relate to changes in social behavior and attitudes. American practice for many years has been to allocate menial and low-paying jobs to blacks—to make them hewers of wood and drawers of water. In recent years, many blacks have refused these kinds of jobs because they properly associate the work with discrimination. It will be very difficult to achieve the necessary shifts. I'm not favoring that the black woman should accept a job as a maid, but these jobs are going begging because the blacks will not accept them. The whites will not accept them, and it will take some time until good jobs will be generated in adequate numbers.

Finally, we might speculate how much of the unemployment is due to the way the government enumerator counts it and how much of it is real. For example, running numbers is work just as much as delivering newspapers is, but one is counted as employment and the other one is not. There are all kinds of illicit work that are not counted. But whichever way we slice it, youth unemployment is a real problem, and some of it will be very difficult to overcome, even under the best of circumstances.

We are undergoing very deep changes in our society. Eric Hoffer has called it the ordeal of change. I don't believe that one-third of the black young women should enter domestic work. But that used to be a fact of life. Society is now in the process of rejecting these discriminatory practices, yet it will take years to overcome past wrongs. But it can be done. Remember that when we had full employment in our society, or close to full employment in the late sixties, black youth unemployment declined to 20 percent—which is still horrendous, but half of what it is today. So the first thing we need, I repeat, is a national policy of job creation that would minimize wasting people. The code phrase is full employment.

4. I sometimes do a little quick calculation, by multiplying the percentage employed by the percentage of the labor force, and then come up with an overall unemployment rate for blacks which might run it up above 50 percent. I wonder what your opinion is of that sort of calculation?

There is no question that it exists to some extent, but I am not clear how you get to 50 percent.

There has been a decline in labor force participation among black males and among men in general. The decrease has been much more rapid than that for whites. This is partly due to the fact that in our society there is an alternative to work—transfer payments. Disability insurance is one

program that expanded in the 1970s. If you look at the decline in labor force participation among black males over age 50, you will find a very close relationship. Apparently what happens is, for a black person in his 50s, disability insurance is not a bad alternative to a lousy, low-paying job with intermittent unemployment. You may want to condemn the practice, but it results in lower labor force participation, although some perceive it as disguised unemployment. But, I would submit, if you are a card-carrying liberal as I am, you must recognize that disability insurance is an alternative to employment. The people drawing disability insurance are not working, and they are not looking for a job.

5. I believe you said you wouldn't like to pay taxes for individuals whose average income exceeded the national average. Trying to extrapolate from that with respect to welfare reform, where do you stand with the potential view that those who are physically able or not needed in the home but are on welfare, ought to be participating in some socially useful activity, such as public work or in school or vocational training to become capacitative so they can become economically self-sufficient. Where would you want your tax money to go there?

I don't know what it means to be not needed at home. Once upon a time, society accepted that a mother's place was at home with her kids. This view has been rejected by the majority. There are 5 to 6 million females with kids of less than six years old who are working. Ever since the days of Rosie the Riveter, during World War II, we discovered that females can do most of the jobs that males can do, and there are very few jobs that females cannot do. So when you say they are needed at home, is the male needed at home, or is the female needed at home?

As far as the welfare reform is concerned, without going into detail, I would say that President Carter's proposal makes sense. As I understand it, his goal is to pay people more for working than for not working. But it would cost several billion dollars as a down payment to implement this proposal. And here is where I get into trouble. So far neither President Carter nor his cabinet officials have indicated that they are ready to make the necessary down payment required to carry out real welfare reform without hurting those in greatest need.

6. Some economists are saying that if people like us—vocational educators—did our jobs and trained all those capable of working, to work, we couldn't possibly put all of these people to work? Do you agree? (No) Where would you put them? How can you accommodate them without changing the political systems?

There are all sorts of ways you can employ them. You can have more college professors. It depends on what kind of society you want to have. You may want to keep kids out of work and keep them busy, which is what we have done since World War II. We now have about 10 million youngsters going to colleges. We often cannot make a case that we need so many college graduates. But if it is your kid or my kid, we say they need a college education. So we are saying we are too rich; our income is high enough. Why send kids to work at age 14 or 16? Let them go some place where they can mature, read a little bit of Shakespeare, etc. And that's an aging vat that we've created. If anybody would have told me 40 years ago that about 75 percent of our youngsters would go for longer education, up to age 18, I would say he/she was dreaming. Well, we have done that.

You also can create jobs depending on how you want to distribute your income, your taxes, and what kind of society you want. You may want to have a laissez-faire society. I don't know

how you would do it right now with a free market operation, but one way is to have a war as in the 60s. You can create resources to fight wars. Now if you can create resources to fight wars, why can't you use the same resources, the same human skills, to create something that is useful? It is a question, again, of what you want in society.

The political world has changed very radically, and it will continue to change. Who would have said years ago that we will spend $15 billion on health care for poor people. Now we are doing that. Who would have thought we would be sending 50,000 kids to this university? If you say it can't be done, then it can't be done.

7. Is $7,000 all that is needed to create a job? I've heard from industry that it takes a lot more.

In some industries it may cost $15,000, $20,000, up to $100,000. But I was talking about the marginal costs. Assuming you have all the brooms, you hire a new sweeper. This is basically what happens with job creation. I'm assuming that you have the typewriter before you hire a new typist. When we're talking about additional jobs, that is the kind of jobs we're talking about. It does not mean the capital investment of the job, but just the marginal cost of paying the wages and social security, etc.

8. If we redistribute income to people who have a real need, what will that do to the price level?

My answer would be in two parts.

If we are doing nothing, then anything that we spend would be additional costs. In our society, if a person is idle, he/she has certain claims upon societal resources, whether it's in the form of unemployment insurance, retirement, or job creation. Therefore, we think that that person has a claim.

As far as the marginal costs are concerned, if you have a depressed area, with a great deal of social capital—a good illustration would be the New England textile towns of the 50s or the coal mines of Eastern Kentucky—and you dry up the demand for labor in those areas, the people move to Boston, Washington, Columbus, etc. Then you've wasted a lot of social capital in those areas and you've created all sorts of pressures in Columbus, Ohio, and other spots of the world where they move. I'm not sure it wouldn't be more economical to bring the jobs to the people rather than the people to the jobs. If you believe in the free labor market and if you think that that's the way to straighten out things, then if you wait long enough, you find out that the economists were wrong. They said if we don't do anything about Eastern Kentucky before long we will reach an equilibrium. The only thing is it's a long time for the coal miners to starve until you create a need for additional coal miners. If you were a classical economist you would've been proven correct. You didn't have to do anything in Eastern Kentucky because now there's a shortage of coal miners. Economic forces would work themselves out. But twenty-five years is a long time to starve and wait for a job.

9. We're told that, even though there is a 6.9 percent, or whatever, unemployment rate, there are many unfilled jobs. Will your commission address the changing values of society that decide between work and nonwork?

There are some jobs going vacant. If there would be a lot of girls who graduated from high school and worked as housemaids for $1.50, there would be a lot of jobs filled. So what is a job vacancy? Every time somebody announces a good job, and I'm not talking about a $30,000 a year

job, you find that in every place in the country there is a traffic jam because lots of people come for these jobs. I'm not saying that there are actually 6 to 7 million job deficits in the country. It depends on what wage, at what cost, and in what places. Unemployment in Houston and Dallas is still 3 percent or so, but that doesn't do very much good for the unemployed painter in Boston. It's a question of location of the jobs. Basically, we need some measure of employment and unemployment. I don't see any evidence that people in the United States today want to work any less than they did when grandpappy was a boy at the turn of the century, or whenever.

The fact is that labor force participation in the United States is on the increase. It's higher than ever before. To add one footnote to that—even among teen-agers labor force participation has increased and continues to increase. If you create jobs, people will look for them and they will work.